



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	HB0384	Title:	Increase Montana's minimum wage
Primary Sponsor:	Dunwell, Mary Ann	Status:	As Introduced

- | | | |
|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
Expenditures:				
General Fund	\$434,076	\$920,920	\$1,047,492	\$1,129,403
State Special Revenue	\$287	\$13,582	\$32,361	\$46,278
Federal Special Revenue	\$150	\$3,966	\$9,181	\$12,888
Other - Proprietary	\$36	\$988	\$2,431	\$3,633
Other - University System	\$2,124,213	\$4,362,489	\$4,780,341	\$5,026,952
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$19,248	\$127,436	\$290,252	\$304,611
Federal Special Revenue	\$0	\$0	\$0	\$0
Other - Proprietary	\$146,842	\$972,193	\$2,214,300	\$2,323,837
Other - University System	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$434,076)</u>	<u>(\$920,920)</u>	<u>(\$1,047,492)</u>	<u>(\$1,129,403)</u>

Description of fiscal impact: HB 384 increases the minimum wage to \$9.05 per hour in Montana on January 1, 2016, to \$10.10 per hour on January 1, 2017, and implements annual adjustments beginning January 1, 2018. There is a fiscal impact to the State of Montana and to the Montana University System to increase pay for any employee making less than the new minimum wage. The bill would increase the contribution and assessments paid by employers to the Unemployment Insurance Trust Fund and to the Employment Security Account. There may also be some impact to local governments.

FISCAL ANALYSIS**Assumptions:**

1. The number of workers who would be affected by the proposed increase in minimum wage of \$9.05 January 1, 2016 is shown in the table below. The figures were derived from U.S. Bureau of Labor Statistic reports for SFY 13 (CY 2012, Q3 & Q4 and CY 2013, Q1 & Q2).

Current Hourly Wage Range	Amount less	% under	Employment	Government	Private	Nonprofit
	\$9.05	\$9.05		16.25%	74.52%	9.23%
<8.46	\$.59	32.65%	33,961	5,519	25,308	3,135
8.47 – 8.87	\$.18	20.32%	21,132	3,433	15,747	1,950

2. The number of workers who would be affected by the proposed increase in the minimum wage of \$10.10 beginning January 1, 2017 is represented in the following table. The workers listed below are assumed to remain unchanged through FY 2019.

Current Hourly Wage Range	Amount less	% under	Employment	Government	Private	Nonprofit
	\$10.10	\$10.10		16.25%	74.52%	9.23%
<8.46	\$1.84	32.65%	33,961	5,519	25,308	3,135
8.47 – 8.87	\$1.43	20.32%	21,132	3,433	15,747	1,950
8.88 – 9.28	\$1.02	20.19%	20,997	3,412	15,647	1,938
9.29 – 9.69	\$.61	15.27%	15,887	2,582	11,839	1,466
9.70 – 10.10	\$.20	11.58%	12,042	1,957	8,974	1,111
Total		100%	104,019	16,903	77,515	9,601

3. The minimum wage of \$9.05 would be effective January 1, 2016. The minimum wage would increase to \$10.10 in CY 2017, and is projected to increase to \$10.30 in CY 2018 and to \$10.55 in CY 2019.
4. Full time (FT) workers working 2,080 hours make up 36% of the total. Part time (PT) workers working 1,040 hours make up 64% of the total.
5. Since the bill has an effective date of January 1, 2016, only one quarter of taxable revenue would be deposited to the Unemployment Insurance Trust Fund FY 2016.
6. The contribution rate (schedule III) will remain the same through FY 2019 (.36% Government and 1.52% Private). Nonprofit organizations were excluded from the calculation on impact to the unemployment insurance contribution because they directly reimburse the state for unemployment benefits.
7. Total increased contributions to the Unemployment Insurance Trust Fund (39-51-401, MCA) are shown in the following table.

Total Impact for Contribution to Trust Fund HB 384 per State Year

State Year	(FT) Government	(FT) Private	(PT) Government	(PT) Private	Total Impact
FY 2016	\$3,817	\$73,922	\$3,394	\$65,709	\$146,842
FY 2017	\$25,273	\$489,415	\$22,468	\$435,037	\$972,193
FY 2018	\$57,565	\$1,114,706	\$51,174	\$990,855	\$2,214,300
FY 2019	\$60,415	\$1,169,847	\$53,706	\$1,039,869	\$2,323,837

8. The amounts that are taxable per 39-51-404, MCA, are deposited to the Employment Security Account (ESA) per 69-51-409, MCA.
9. The employer assessment for the Special Administrative Fund is prescribed in 39-51-404, MCA.
 - a. (b) 0.18% of all taxable wages paid by employers assigned a contribution rate other than Rate Class I, Schedules I and II as provided in 39-51-1218, MCA;
 - b. (d) 0.08% of total wages paid by all employers as provided in 39-51-1217, MCA; and
 - c. (e) 0.09% of total wages paid by all employers as provide in 39-51-1212, MCA.
10. Total increased revenue to the Employment Security Account (39-51-409, MCA) are shown in the following table.

Total Impact for Administrative Tax to ESA for SB 384 per State Year

State Year	(FT) Government	(FT) Private	(PT) Government	(PT) Private	(FT) Nonprofit	(PT) Nonprofit	Total Impact
FY 2016	\$954	\$8,754	\$848	\$7,782	\$482	\$428	\$19,248
FY 2017	\$6,318	\$57,957	\$5,617	\$51,517	\$3,191	\$2,836	\$127,436
FY 2018	\$14,391	\$132,005	\$12,794	\$117,337	\$7,266	\$6,459	\$290,252
FY 2019	\$15,104	\$138,534	\$13,426	\$123,143	\$7,625	\$6,779	\$304,611

State Agencies

11. Approximately 23 permanently authorized positions in the Executive Branch are held by employees who make less than \$9.05 per hour. There are no employees in the Judicial or Legislative Branches who make less than \$9.05 per hour.
12. The minimum wage will increase to \$9.05 per hour on January 1, 2016. The cost to bring these employees to \$9.05 per hour plus associated benefits is projected to be \$18,779 in FY 2016.
13. Approximately 85 permanently authorized positions in the Executive and Judicial Branches are held by employees who make less than \$10.10 per hour. There are no employees in the Legislative Branch who make less than \$10.10 per hour.
14. The minimum wage will increase to \$10.10 per hour on January 1, 2017. The cost to bring these employees to \$10.10 per hour plus associated benefits is projected to be \$82,418 in FY 2017.
15. On January 1, 2018, the minimum wage is projected to increase to \$10.30. The estimated cost for this increase including associated benefits is projected to be \$143,877 in FY 2018.
16. On January 1, 2019, the minimum wage is projected to increase to \$10.55. The estimated cost to for this increase including associated benefits is projected to be \$184,758 in FY 2019.

Montana University System (MUS)

17. All campuses employ student workers who make less than \$10.10 per hour.
18. The minimum wage will increase to \$9.05 per hour on January 1, 2016. The cost to bring these workers to \$9.05 per hour plus associated benefits is projected to be \$2,539,983 in FY 2016.
19. The minimum wage will increase to \$10.10 per hour in calendar year 2017. The estimated cost to bring MUS employees to \$10.10 per hour plus associated benefits is project to be \$5,219,527 in FY 2017.
20. On January 1, 2018, the minimum wage is projected to increase to \$10.30. The estimated cost for this increase including associated benefits is projected to be \$5,727,929 in FY 2018.
21. On January 1, 2019, the minimum wage is projected to increase to \$10.55. The estimated cost to for this increase including associated benefits is projected to be \$6,034,396 in FY 2019.

Department of Labor and Industry

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$0	\$0	\$0	\$0
TOTAL Expenditures	\$0	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$0	\$0	\$0	\$0
<u>Revenues:</u>				
State Special Revenue (02)	\$19,248	\$127,436	\$290,252	\$304,611
Other	\$146,842	\$972,193	\$2,214,300	\$2,323,837
TOTAL Revenues	\$166,090	\$1,099,629	\$2,504,552	\$2,628,448

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
State Agencies				
<u>Expenditures:</u>				
Personal Services	\$18,779	\$82,418	\$143,877	\$184,758
TOTAL Expenditures	\$18,779	\$82,418	\$143,877	\$184,758
<u>Funding of Expenditures:</u>				
General Fund (01)	\$18,306	\$63,882	\$99,904	\$121,959
State Special Revenue (02)	\$287	\$13,582	\$32,361	\$46,278
Federal Special Revenue (03)	\$150	\$3,966	\$9,181	\$12,888
Other	\$36	\$988	\$2,431	\$3,633
TOTAL Funding of Exp.	\$18,779	\$82,418	\$143,877	\$184,758
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
Montana University System				
<u>Expenditures:</u>				
Personal Services	\$2,539,983	\$5,219,527	\$5,727,928	\$6,034,396
TOTAL Expenditures	\$2,539,983	\$5,219,527	\$5,727,928	\$6,034,396

<u>Funding of Expenditures:</u>				
General Fund (01)	\$415,770	\$857,038	\$947,588	\$1,007,444
Other-Tuition	\$97,526	\$201,034	\$222,274	\$236,314
Other-University Funds Resti	\$450,789	\$920,359	\$1,007,426	\$1,059,713
Other-University Funds Desi	\$520,657	\$1,071,273	\$1,181,970	\$1,251,963
Other-University Funds Auxi	\$979,085	\$2,013,959	\$2,199,986	\$2,304,036
Other-University Funds Plant	\$76,156	\$155,864	\$168,685	\$174,926
TOTAL Funding of Exp.	\$2,539,983	\$5,219,527	\$5,727,929	\$6,034,396

<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0

<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$434,076)	(\$920,920)	(\$1,047,492)	(\$1,129,403)
State Special Revenue (02)	\$18,961	\$113,854	\$257,891	\$258,333
Federal Special Revenue (03)	(\$150)	(\$3,966)	(\$9,181)	(\$12,888)
Other - Proprietary (06)	\$146,806	\$971,205	\$2,211,869	\$2,320,204
Other-Tuition	(\$97,526)	(\$201,034)	(\$222,274)	(\$236,314)
Other-University Funds Resti	(\$450,789)	(\$920,359)	(\$1,007,426)	(\$1,059,713)
Other-University Funds Desi	(\$520,657)	(\$1,071,273)	(\$1,181,970)	(\$1,251,963)
Other-University Funds Auxi	(\$1,092,729)	(\$2,013,959)	(\$2,199,986)	(\$2,304,036)
Other-University Funds Plant	(\$76,156)	(\$155,864)	(\$168,685)	(\$174,926)

Effect on County or Other Local Revenues or Expenditures:

1. It is assumed the county and other local government entities will have positions and employees whose hourly rate will be increased by increasing the minimum wage. However, the impact to individual local governments or local governments as a whole is not known.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date